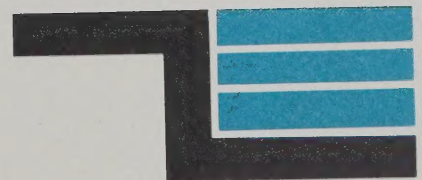


# 1971 ANNUAL REPORT

*file*

**ZENITH ELECTRIC  
SUPPLY LIMITED**



**HEAD OFFICE**

185 Bridgeland Avenue, Toronto 19, Ontario

**DIRECTORS**

William J. Bushnell, C.A.	John B. W. Carmichael	George R. Gardiner
Dr. James M. Gillies	Hugh B. Hall	Walter Jamieson
David S. Rattray	Donald G. Wilkes, C.A.	

**OFFICERS**

George R. Gardiner	Chairman of the Board
Walter Jamieson	President and Chief Executive Officer
Jack C. Wright	Vice-President
Donald G. Wilkes, C.A.	Secretary-Treasurer

**TRANSFER AGENT**

Canada Permanent Trust Company, Toronto, Ontario

**AUDITORS**

Campbell, Lawless & Punchard, Toronto, Ontario

**LEGAL COUNSEL**

McCarthy and McCarthy, Toronto, Ontario

**BANKERS**

The Royal Bank of Canada

**SHARES OUTSTANDING**

There are 1,259,254 outstanding shares of Zenith listed for trading on the Toronto Stock Exchange. Ticker abbreviation ZES. Authorized capital — 1,750,000 shares without par value.

**SUBSIDIARIES**

MASCO ELECTRIC COMPANY LIMITED  
ZENITH ELECTRIC SUPPLY (ONTARIO) LIMITED  
ETR SUPPLY CO. LTD.

ZENTRONICS LTD.  
ZENTRONICS (EASTERN) LTD.  
ZENTRONICS/MASCO LIMITEE



## ZENITH ELECTRIC SUPPLY LIMITED

To the Shareholders:

April 3, 1972

Another year has passed and you will note that 1971 has shown further improvement in the financial position of your Company. During 1971 the bank loans were reduced by an additional \$728,000 and the consolidated earnings after taxes were equivalent to 34 cents per outstanding share compared to 30 cents for 1970. Net earnings, before income tax reduction resulting from application of losses of prior years in subsidiary companies, were 26 cents and 17 cents respectively.

During 1971 we closed two non-profitable operations and made plans to expand others. Since the start of 1972 we have started construction of a new company-owned building in Barrie and have added an extension to our building in North Bay.

With our efforts in the area of improving the cash position largely satisfied, as indicated by the resumption of dividends, we feel that for 1972 and 1973, we are in a position to concentrate much of our efforts to the task of profitably increasing our sales revenues.

In addition to the appreciation extended to customers, employees and suppliers, we wish to thank our shareholders for the confidence placed in the management of the Company through the more trying years.

The Annual Meeting of Shareholders will be held Monday, April 24, 1972 at 10:00 A.M. (Toronto time) at the offices of the Company at 185 Bridgeland Avenue, Toronto. We hope you are able to attend.

On behalf of the Board of Directors,

W. JAMIESON  
President





# ZENITH ELECTRIC

(Incorporated under the laws of the Province of Ontario)

## CONSOLIDATED

Balance Sheet  
(with comparative figures for 1970)

ASSETS		1971	1970
<b>CURRENT</b>			
Cash.....		\$ 5,700	\$ 6,500
Accounts receivable (after allowance for doubtful accounts).....		3,442,813	3,452,694
Inventories of merchandise valued at the lower of cost and net realizable value.....		2,976,456	3,502,746
Prepaid expenses and deposits.....		39,742	46,612
Total current assets.....		<u>6,464,711</u>	<u>7,008,552</u>
<b>FIXED, at cost</b>			
Land and buildings.....	\$120,329		104,612
Equipment, furniture and fixtures.....	673,416		669,009
Automobiles and trucks.....	46,771		30,758
	<u>840,516</u>		<u>804,379</u>
Less accumulated depreciation.....	627,804		605,790
	<u>212,712</u>		<u>198,589</u>
Alterations to leased premises less amortization.....	112,873		142,059
		<u>325,585</u>	<u>340,648</u>
		<u>\$6,790,296</u>	<u>\$7,349,200</u>

Approved on behalf of the Board  
George R. Gardiner, Director  
Walter Jamieson, Director

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Zenith Electric Supply Limited as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
February 29, 1972

Campbell, Lawless & Punchard  
Chartered Accountants

# SUPPLY LIMITED

(Incorporated under the laws of Ontario)

## BALANCE SHEET

As at December 31, 1971  
(Figures for 1970)

### LIABILITIES

#### CURRENT

	1971	1970
Bank advances (secured).....	\$ 325,623	\$1,053,591
Accounts payable and accrued charges.....	1,969,997	1,973,437
6½ % Serial Debentures—instalment due March 15, 1972.....	100,000	100,000
Income taxes payable.....	126,144	43,026
Total current liabilities.....	<u>2,521,764</u>	<u>3,170,054</u>

#### LONG-TERM DEBT

6½ % Serial Debentures due March 15, 1973, secured by a floating charge on the assets of the companies.....	100,000	200,000
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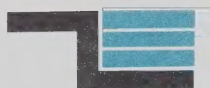
#### SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 1)		
Issued and outstanding		
1,259,254 shares (1970-1,251,254).....	\$1,337,842	1,327,682
RETAINED EARNINGS (note 3).....	<u>2,830,690</u>	<u>2,651,464</u>
	<u>4,168,532</u>	<u>3,979,146</u>
	<u>\$6,790,296</u>	<u>\$7,349,200</u>

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. At December 31, 1971 the company had in force a share option plan for certain officers of the Company. Under the plan 8,000 shares at \$1.27 a share were issued during 1971. Options to purchase a total of 32,000 shares at the rate of 8,000 shares at \$1.27 a share in each of the four years ending April 7, 1973 to April 7, 1976 were outstanding at December 31, 1971. The options are cumulative to April 7, 1976 at which time they expire.
2. The aggregate remuneration paid by the companies to senior officers, as defined in the Business Corporation's Act, for the year 1971 was \$164,694 including \$3,804 for pension costs, and in addition \$6,000 was paid to directors as such.
3. Included in retained earnings is an amount of \$105,570 consisting of capital surplus arising on the purchase for cancellation in 1971 of the preferred shares of certain subsidiaries. This capital surplus may not be reduced or distributed except as provided in the relative Corporations Acts.





# ZENITH ELECTRIC SUPPLY LIMITED

## CONSOLIDATED STATEMENT OF EARNINGS

year to December 31, 1971

### SALES

Earnings from operations before the following deduction.....	
Depreciation and amortization.....	
Earnings before income taxes.....	
Income taxes.....	
Earnings for the year before the following item .....	
Income tax reductions resulting from application of losses of prior years in certain companies.....	
Net earnings for the year.....	

1971
<u>\$21,721,411</u>
\$ 683,955
65,307
<u>618,648</u>
290,569
<u>328,079</u>
102,898
<u>\$ 430,977</u>

1970
<u>\$21,057,630</u>
\$ 499,989
69,526
<u>430,463</u>
212,950
<u>217,513</u>
154,676
<u>\$ 372,189</u>

### PER SHARE

Net earnings.....	
Net earnings before income tax reduction resulting from application of losses of prior years in certain companies.....	

\$ .34
\$ .26

\$ .30
\$ .17

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

year to December 31, 1971

Retained earnings at beginning of year.....	
Deduct investment in shares of subsidiaries in excess of book value of net assets at dates of acquisition.....	
Add net earnings for the year.....	
Deduct dividends paid.....	
Retained earnings at end of year.....	

1971
<u>\$ 2,651,464</u>
2,651,464
430,977
<u>3,082,441</u>
251,751
<u>\$ 2,830,690</u>

1970
<u>\$ 2,436,181</u>
156,906
2,279,275
372,189
<u>2,651,464</u>
<u>\$ 2,651,464</u>

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

year to December 31, 1971

### SOURCE OF FUNDS

Net earnings for the year.....	
Add—Provision for depreciation and amortization.....	
—Sale of capital stock.....	
—Repayment of federal refundable tax.....	

1971
\$ 430,977
65,307
10,160
<u>506,444</u>

1970
\$ 372,189
69,526
10,800
9,874
<u>462,389</u>

### APPLICATION OF FUNDS

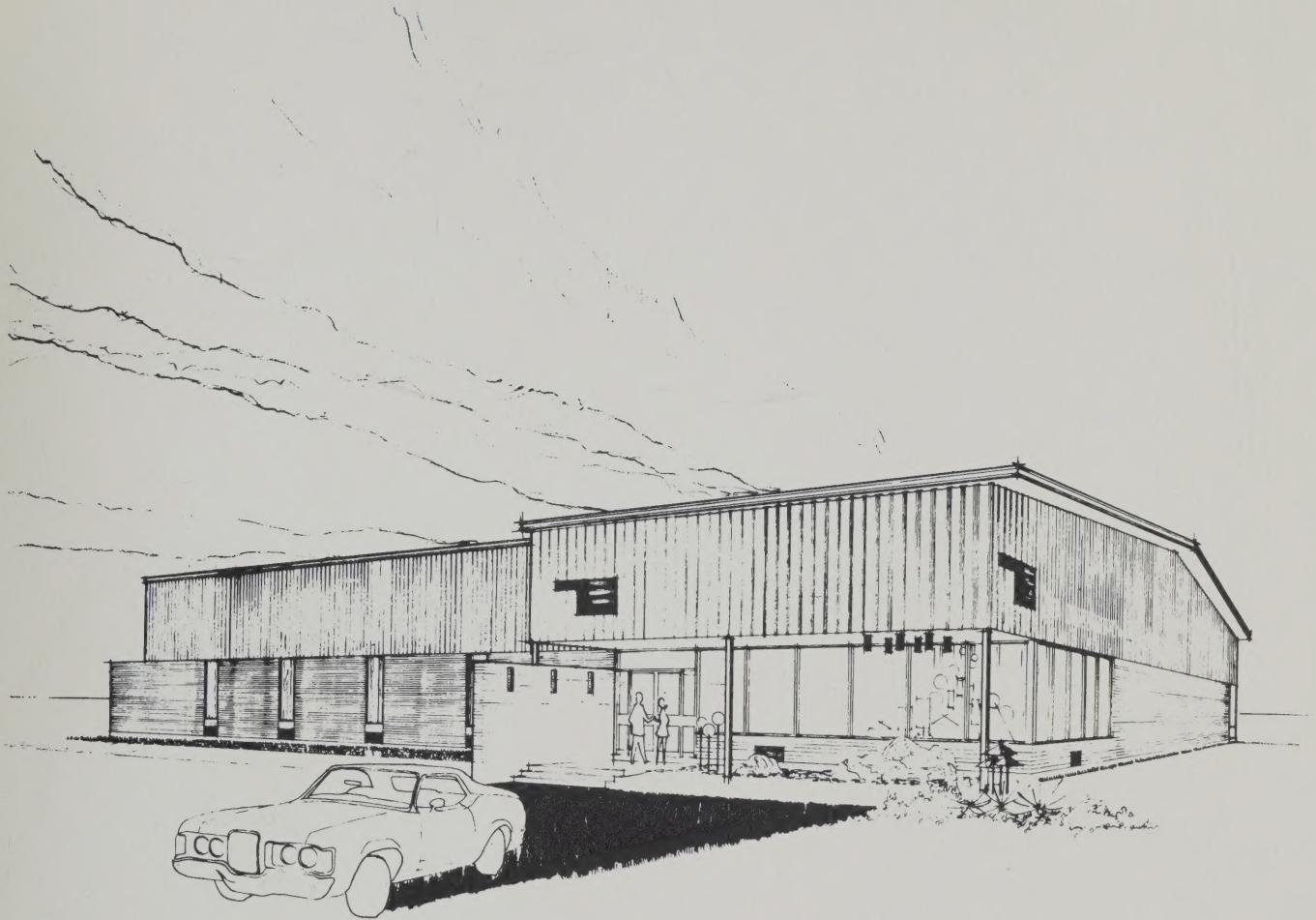
Payment of dividends.....	
Purchase of fixed assets and alterations to leased premises.....	
Repayment on serial debentures.....	
Mortgage payable transferred to current liabilities.....	

251,751
50,244
100,000
<u>401,995</u>
104,449
<u>3,838,498</u>
<u>\$ 3,942,947</u>

26,288
100,000
16,636
<u>142,924</u>
319,465
<u>3,519,033</u>
<u>\$3,838,498</u>

Increase in working capital.....	
Working capital beginning of year.....	
Working capital end of year.....	

## MODERN WAREHOUSE FACILITIES UNDER CONSTRUCTION IN BARRIE



### Electrical Products

Wiring devices, wire and cable, conduit, small appliances, industrial and commercial lighting, residential lighting, motor controls, electric heating equipment, pole line hardware, alarm system and solenoid valves.

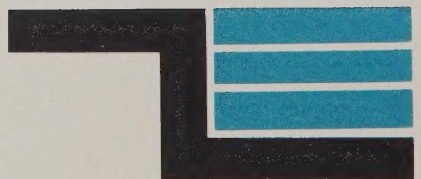
### Electronic Products

Transistors, semi-conductors, electronic tubes, relays, micro switches, capacitors, resistors, transformers, timers, meters, voltage regulators and test instruments.

### Warehouse Locations

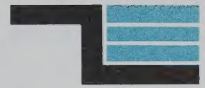
Barrie • Belleville • Brantford • Hamilton • Kingston • Noranda  
North Bay • Orillia • Oshawa • Peterborough • Sault Ste. Marie  
St. Catharines • Sudbury • Timmins • Toronto



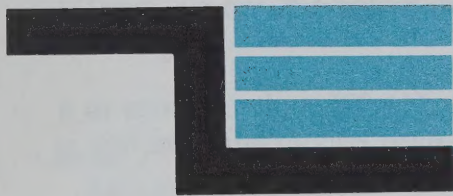




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**1971**



**SEMI-ANNUAL  
REPORT  
TO  
SHAREHOLDERS**

**ZENITH ELECTRIC  
SUPPLY LIMITED**

185 Bridgeland Avenue  
Toronto 19, Ontario

July 19, 1971

To: The Shareholders of  
**Zenith Electric Supply Limited**

I have pleasure in sending to you the Consolidated Balance Sheet of your Company as at June 30, 1971, together with the Statement of Earnings and the Statement of Source and Application of Funds for the six months ended June 30, 1971.

The net income for the six month period was \$15,996 and compares to a loss of \$10,546 in the same period of 1970 —most encouraging, as this is traditionally an unprofitable period of the year.

The Balance Sheet reflects the continuing efforts of your management in the control of accounts receivable and the utilization of inventories. The net working capital is now \$3,786,022. Since June 30, 1970, the bank loan has been reduced by \$774,335 to \$1,038,241.

On behalf of the Board of Directors,

WALTER JAMIESON,  
*President*



# ZENITH ELECTRIC SUPPLY LIMITED

## CONSOLIDATED BALANCE SHEET

As at June 30, 1971

(With comparative figures for 1970)

(Unaudited)

### ASSETS

<b>Current</b>	<b>1971</b>	<b>1970</b>
Cash	<u>6,250</u>	<u>6,410</u>
Accounts receivable (after allowance for doubtful accounts)	3,072,155	3,103,101
Inventories of merchandise valued at the lower of cost and net realizable value	3,597,972	3,895,964
Prepaid expenses and deposits	<u>70,595</u>	<u>45,909</u>
Total current assets	<u>6,746,972</u>	<u>7,051,384</u>
<b>Fixed</b> , at cost less depreciation and amortization	316,807	342,043
<b>Investment</b> in shares of subsidiaries in excess of book value of net assets at date of acquisition	—	156,906
	<u><u>\$7,063,779</u></u>	<u><u>\$7,550,333</u></u>

### LIABILITIES & SHAREHOLDERS' EQUITY

<b>Current</b>		
Bank advances (secured)	1,038,241	1,812,576
Accounts payable and accrued charges	1,829,144	1,735,030
6½ % Serial Debentures—instalment due March 15, 1972	100,000	100,000
Income taxes payable (less instalments)	<u>(6,435)</u>	<u>(50,577)</u>
Total current liabilities	<u>2,960,950</u>	<u>3,597,029</u>
<b>Long Term Debt</b>		
6½ % Serial Debentures due March 15, 1973, secured by a floating charge on the assets of the companies	100,000	200,000
<b>Shareholders' Equity</b>		
Capital Stock		
Authorized—		
1,750,000 shares without par value		
Issued and outstanding—		
1,257,254 shares	1,335,302	1,327,682
Retained Earnings	<u>2,667,527</u>	<u>2,425,622</u>
	<u><u>\$7,063,779</u></u>	<u><u>\$7,550,333</u></u>

# ZENITH ELECTRIC SUPPLY LIMITED

## CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	(Unaudited)		12 months ended
	Six months ended		
	<u>June 30, 1971</u>	<u>June 30, 1970</u>	<u>Dec. 31, 1970</u>
Income (loss) before taxes	41,996	(9,546)	430,463
Taxes on income	26,000	1,000	58,274
Net profit (loss)	<u>\$ 15,996</u>	<u>\$ (10,546)</u>	<u>\$ 372,189</u>

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(Unaudited)

	Six months ended	
	June 30, 1971	June 30, 1970
<b>Source of Funds</b>		
Net profit (loss) from operations	15,996	(10,546)
Depreciation charged	33,705	27,782
Sale of capital stock	7,620	10,800
	<u>57,321</u>	<u>28,036</u>
<b>Application of Funds</b>		
Addition of fixed assets less proceeds of disposals	9,847	(14,048)
Reduction of long term debt	100,000	100,000
	<u>109,847</u>	<u>85,952</u>
Decrease in Working Capital in period	<u>\$ 52,526</u>	<u>\$ 57,916</u>

### AUDITORS' NOTE

Sales of the Companies for the six months ended June 30, 1971 decreased from the six months ended June 30, 1970 and from the average of the five corresponding preceding periods by 1.7% and 5.6% respectively. The gross operating revenue of the Companies for the six months ended June 30, 1971 decreased from the six months ended June 30, 1970 and from the average of the five corresponding preceding periods by 4.4% and 9.6% respectively.

We report that the percentages of decrease are, in our opinion, correctly calculated from the figures in the Companies' records. Such records have not in the current period, nor in the preceding five periods, been subject to an audit aimed at verifying the allocation of sales or gross operating revenue between any period other than the full fiscal year.

CAMPBELL, LAWLESS & PUNCHARD  
Chartered Accountants